
U.S. Relations with East Asia and the Pacific: A New Era

By

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I appreciate this opportunity to present an overview of U.S. policy in the East Asia-Pacific region in the context of our corresponding FY 1992 bureau request.

Dilemmas of Success

In preparing this testimony, I reflected on how dramatically the region has changed from the time 20 years ago when I first came to Washington to serve in the government. In the early 1970s, the region was engulfed in war and great power confrontation, burdened by millennial poverty, and challenged by aggressive communist movements. The list of our aid recipients in Asia was a long one; and our trade with the region was smaller than our commerce with Latin America.

The subsequent decades have brought transforming developments to East Asia and the Pacific. The region is largely at peace today, with the ideals and objectives of economic growth and political and social advancement increasingly realized. This changed environment, in no small measure, reflects the effectiveness of our past policies and actions in this area of the world. Our security presence, cumulative aid and investment, and emphasis on open markets, political pluralism, and human rights have all contributed to the coming of age of East Asia and the Pacific. The region is now one of the engines of global growth, and increasingly people speak of a coming Pacific century.

Our investment in blood and treasure in the Asia-Pacific region over the past 45 years has thus yielded substantial dividends for American interests. Our bilateral and multilateral economic assistance has helped East Asia become the most economically dynamic region in the world, a force for open trade and investment, and our most promising market for the future. Our forward-deployed military presence and security assistance has helped forge bilateral defense relationships fundamental to regional stability. Despite some setbacks to the global trend toward democratization—most dramatically in China and Burma, and most recently in Thailand—political development is clearly evident in the Philippines, South Korea, Taiwan, and now even Mongolia. And I am pleased to report that Thailand appears to be on the road back to democracy.

Yet, our successes have also generated a new set of challenges to major bilateral relations in East Asia. The U.S.-Japan relationship remains the keystone of our engagement in Asia, yet Japan also has become a robust economic competitor. Our relations with China have lost their Cold War compass and now are buffeted by a new set of concerns ranging from trade disputes and human rights matters to missile and nuclear proliferation. The Republic of Korea has prospered under our security umbrella to become a major economic and political player on the world stage. Dynamic economies such as Malaysia, Thailand, and Indonesia may well become Asia's next generation of developing "tigers" in the new millennium. Only the Philippines is now classified as

a major recipient of U.S. aid. And our defense relations and future security presence in the Philippines face an uncertain future.

At the same time, our successes have also meant that many former aid recipients have moved beyond their previous state of need, thus reducing our aid requirements. Our current aid request of \$702.5 million for East Asia and the Pacific is oriented primarily to the Philippines (nearly 80 percent). Moreover, this request represents only 5.8 percent of total U.S. foreign assistance—down markedly from a decade ago. Our request is, thus, a quite modest investment in a region of great and growing importance to the U.S. Indeed, compared to Japan's aid programs, it is a minuscule request. Japan's official development assistance (ODA) to the Asia/Pacific region is roughly 10 times larger than our own—although their total ODA is slightly less than our own. In Indonesia, for example, Japan, provides \$1.14 billion annually while the U.S. provides \$83 million.

At a time when the world is in flux, our modest aid program is key to sustaining our influence in East Asia. It is an expression of our continuing engagement in this region as we seek to pursue our interests and ideals.

Beyond a sizeable economic and security aid commitment to the Philippines, our FY 1992 aid request also includes economic and security assistance designed to advance prosperity, democratization, and security throughout the Asia/Pacific region. For example, we are requesting \$56.1 million in economic assistance to Indonesia—the fifth largest country in the world—a country which has implemented significant economic reform, where there is substantial U.S. investment, and a country that is playing a key role in our search for a political settlement in Cambodia. We seek \$12.3 million for Thailand (although currently in suspension), a treaty ally that provided significant support with limited resources during Desert Storm. We also seek a package of \$19.6 million in economic and development assistance for the South Pacific islands, and \$4 million to support the emerging democracy in Mongolia.

In addition, we are requesting security assistance, principally IMET (International Military Education and Training), for Indonesia, Thailand, and Malaysia as well as for Korea. These are small programs which together total \$6.7 million, but which are highly cost effective in terms of our important security relationships with these friends and allies.

The Realities of a New Era

Over the past few years, we have begun to see new economic and political relations take shape in East Asia and the Pacific. The region is becoming economically integrated in terms of both trans-Pacific and intra-Asian trade and investment. For the U.S., our two-way trade with the Asia-Pacific [region] now exceeds \$300 billion annually, more than one-third larger than our trans-Atlantic trade.

New patterns of diplomacy and international cooperation are also unfolding. From normalized Sino-Soviet relations, North-South Korean talks, Moscow establishing relations with Seoul, Secretary Baker's meeting with Vietnamese Foreign Minister Thach last fall, or Mr. Gorbachev's unprecedented visit just last month to Japan and South Korea, the confrontations of the Cold War era are rapidly giving way to reconciliation and new patterns of cooperation.

Amidst this broad sweep of change, however, we also see problems still lingering from the Cold War era: the heavily armed stand-off on the Korean Peninsula continues unabated, and conflict in Indochina has yet to be resolved.

As we move from the Cold War years into a new cycle of history, we see, most poignantly in the recent war in the Persian Gulf, that the new era now taking shape poses its own—and no less daunting—challenges to international security and cooperation. From the tense but relatively stable bipolar world of U.S.-Soviet confrontation, we are entering a time of uncertain and complex multipolar reality. We see a renascent ethnonationalism and the re-emergence of regional antagonisms, ambitions, and suspicions long frozen during the Cold War period. We are entering an era of some daunting international contradictions. Power among nations is increasingly diffuse, yet nations are more interdependent than ever. Ancient feuds and rivalries are again being played out, yet with the destructive potential of readily accessible state-of-the-art weaponry. We are entering a world in which the information revolution—with its instantaneous flows of communications and capital on a global scale—is eroding the boundaries of the nation-state. Yet we lack adequate supra-national institutions to deal with problems of global scope—preserving the environment, halting illegal narcotics traffic, and managing refugee flows.

The U.S. and Asia: Challenges of a New Era

Our broad policy challenge is to manage this mix of problems which linger from the Cold War era while giving institutional form to the new economic and political realities which will shape the world of the 21st century. Meeting this challenge requires sustained engagement.

Mindful of the successes our policies have brought us over the past four decades, as we advance into the 1990s we must:

- Adjust our forward-deployed military presence in the region to a still uncertain security environment in ways that sustain our defenses and those of our allies—yet in ways that will forge more mature patterns of responsibility-sharing that reflect the enhanced capabilities and success of our allies and friends;
- Promote expanded U.S. commercial activity in the region by realizing growing export and investment opportunities;
- Redress imbalances in our economic relations with Japan and build a solid foundation for realizing the possibilities of a U.S.-Japan global partnership;
- Continue our engagement with China on issues of common concern, while making clear our desire to see the PRC [People's Republic of China] continue down the path of social and economic reform—including reforms that are responsive to our fundamental concern for human rights;
- Define a new relationship with the Philippines that will ensure continuing defense cooperation, advance economic development, and the consolidation of democratic institutions generated by the "EDSA" revolution of 1986;
- Reshape and strengthen our alliance with the Republic of Korea by encouraging the Koreans to assume responsibilities of leadership that are more commensurate with their new economic and military strengths, while maintaining our core commitment to Seoul's security;
- Continue our pursuit of a comprehensive settlement to the Cambodian conflict based on the UN-endorsed peace plan and the work of the Paris conference, the realization of which—along with progress on POW/MIA issues—could open the door to normalization of relations with Vietnam and to integrating both Vietnam and Cambodia into the region;

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- [and] deepen regional economic cooperation and build a consensus for free trade and investment, particularly through the Asia-Pacific Economic Cooperation Initiative (APEC). We view economic development as a common interest that holds the most promise for bringing greater cohesion to the Asia-Pacific region.

Fruits of our Policies: Asia and the Gulf War

The strength and durability of our bilateral alliance relationships in Asia were clearly illuminated by the forthcoming response of our allies and friends during the recent Gulf crisis. I would like to address security issues in the region first by updating you on Asian support for coalition goals in the Gulf war. I am glad to say that support for Operation Desert Storm was timely, firm, and generous. It demonstrated the region's recognition that Saddam Hussein's aggression threatened peace and prosperity, in not just in Gulf, but in Asia and the Pacific as well. It has also demonstrated the region's dedication to the principle of collective security.

As you know, Australia dispatched two warships and medical teams to the Gulf early on. South Korea, Singapore, Thailand, the Philippines, and New Zealand sent medical teams. A number of countries have also contributed to the relief and evacuation of refugees from Jordan, Syria, and Turkey.

Let me focus on the contributions made by Japan and the Republic of Korea.

Japan: In addition to providing unwavering political backing, the Japanese government also pledged more than \$13 billion in support of the Gulf effort—the most substantial financial contribution of any of our non-Arab coalition partners. We appreciate these very substantial contributions to our efforts. As we grapple with post-war realities, I am confident that Japan will continue to play an active and important role in assisting the economic recovery and political stabilization of the region. As we witnessed during the Gulf crisis, Japan is in the process of defining its post-Cold War engagement in world affairs. However frustrating their internal debates may have been at times, we believe that Japan's leaders have seen in the Gulf crisis the importance of becoming active participants with the U.S. in global crises. The U.S. went through a similar process between the two World Wars; and as the fate of U.S. support for the League of Nations demonstrated, building a national consensus for an active global role can be a very difficult business. We are confident, however, that given the broad convergence of U.S. and Japanese interests, prospects for building a U.S.-Japanese global partnership will be enhanced by the continuing debate on Japan's international role. We note Japan's recent dispatching of minesweepers to the Gulf as a sign that its debate is headed toward greater engagement.

The Republic of Korea committed \$220 million in cash and in kind to the Gulf effort last fall. It included \$100 million in economic support for the front-line states and \$120 million in cash, logistical support, and military supplies for coalition forces. In January, Korea committed another \$280 million. The pledge included \$130 million in cash, \$50 million in kind, and \$100 million for transportation costs and brought the total contribution to a solid \$500 million.

The Republic of Korea has contributed in more than financial terms. The Korean's were the first to provide wide-body air cargo flights from the U.S. to the Gulf, and they provided five C-130 transports to coalition forces. In addition, a 154-member hospital support group worked in Saudi Arabia from January to April.

The Security Consensus and Regional Issues

If the region's backing for Desert Storm demonstrates a shared commitment to global security and UN peacekeeping efforts, then enhanced host nation support for U.S. forces forward-

deployed in the Pacific reflects broad support for our continuing security presence there. In this context, I call your attention to efforts made by Japan and the Republic of Korea to assume a larger share of the responsibility of maintaining U.S. forces on their territory.

Japan. We are very pleased with the new host nation support (HNS) agreement with the Japanese government. I believe Japan's commitment to our alliance, the security treaty, and to a more equitable sharing of the costs of maintaining U.S. forces in Japan is strong and warrants greater recognition than it has received to date. At present, Japan's support of U.S. forces in Japan is \$3 billion per year. In the 1991-95 period, Japan's total, cumulative HNS payments will approach some \$17 billion. If military and civilian Department of Defense salaries are not included in U.S. forces-Japan (USFJ) total costs, Japan would be paying more than 73 percent of the cost of our presence in Japan by 1995.

The Administration and some in the Congress disagree about which costs related to our presence in Japan the government of Japan should pay. While we both agree that Japan should not pay USFJ salaries, the Congress has required, in the defense appropriations bill, that Japan pay for all other costs or face annual U.S. troop reductions. We do not believe that Japan should pay all non-salary costs. Our objective should be to have Japan pay all appropriate yen-based costs. The new HNS agreement takes us considerably closer to that goal.

Let me explain why we believe Japan should not pay all non-salary costs. With 73 percent of USFJ's non-salary costs to be paid by Japan in 1995, that leaves about 27 percent for the U.S. to cover. This 27 percent consists largely of operational costs associated with running a military establishment no matter where it is located, such as training exercises, spare parts, and supplies. Asking Japan to cover all non-entitled costs could limit our operational flexibility. If the government of Japan is to pay for U.S. operations, the government of Japan would naturally want some say in what those operations should be. I doubt that our commanders in the field desire this kind of an arrangement.

South Korea. For many years, Koreans and Americans both viewed the Republic of Korea as a developing nation. By 1988, however, a generation of spectacular economic progress reached a point at which it was clear that the Republic of Korea could share additional responsibility for defending our common interests. With the East Asia Strategy Initiative (Nunn-Warner report) last year, we outlined a three-phased approach that will reshape our security partnership over the next decade. Under the provisions of the East Asia Strategy Initiative, approximately 7,000 U.S. troops will be withdrawn from Korea by the end of 1992, and the South Korean government will begin to assume a leading role in its own defense while the U.S. moves into a supporting role.

Our requests for increased cost-sharing came as the entire U.S.-Korean security relationship was in a period of natural evolution. South Korea, which has devoted a higher percentage of its GNP to defense expenditures than most of our allies—despite a lower level of national wealth—has of necessity been more deliberate in responding to our cost-sharing requests than some other allies. We have pressed Korea annually since 1988 for substantial increases in cost sharing. Our goals have been to prepare a multi-year plan under which Korean contributions would increase and to establish a set of general principles to guide cost-sharing implementation.

In December we concluded an agreement with the Republic of Korea (ROK) government which provides a legal basis for the Republic of Korea to begin paying costs of Korean labor working for U.S. forces Korea. The Korean government also signed a memorandum of understanding in which it committed to pay the full cost of moving U.S. forces out of Seoul (Yongsan), estimated at between \$1-3 billion. The Korean government has promised \$43 million

in 1991 for labor costs—an entirely new category. In all, South Korean contributions this year will be \$150 million, more than double the 1990 level of \$70 million.

As we reshape our security relations with South Korea, it is important to keep in mind that the Korean Peninsula remains one of the world's most dangerous flash points. The North Korean threat is undiminished, as more than 1 million Democratic Republic of Korea troops—some 70 percent forward-deployed near the DMZ—face some 650,000 South Korean counterparts. Moreover, North Korea's nuclear program is a major concern throughout East Asia. Our force adjustments are aimed at creating a sustainable security commitment to the South Korean government while maintaining effective deterrence.

Philippines. I would like to highlight our requests for continued economic and security assistance for the Philippines, which accounts for the majority of our entire aid request for the region. Nowhere are our interests and ideals better joined than in U.S. policy toward the Philippines. The best investment we can make in a more prosperous and democratic Philippines is assistance that can help develop an economy able to provide an adequate standard of living for all of the Philippine people. Economic reform in the Philippines is a prerequisite for economic growth. With approximately one-half of the population living below the poverty line, economic reform is both a dire necessity and a challenge. A deadly earthquake, devastating floods, droughts, and the fallout from the December 1989 coup attempt and Iraq's invasion of Kuwait have made this challenge even more difficult.

Many of our assistance programs, such as Economic Support Fund (ESF), direct assistance (DA), and the Multilateral Assistance Initiative (MAI), support policy reforms necessary to generate broadly based, self-sustaining growth. Our ESF program, for example, supports privatization, import liberalization, improved tax administration, better public sector resource management, and infrastructure development. Money committed under the MAI is predicated on policy reforms which complement these efforts. Furthermore, our strong support for the MAI encourages participation from other donor countries. MAI funds also have been used for technical assistance, natural resource management, and infrastructure development. We also encourage Philippine economic reform through our participation in the IMF (International Monetary Fund), World Bank, and Asian Development Bank. The Philippines also participates in our PL 480 program (Food for Peace).

The Philippine government needs to fight the threats to democracy by military as well as economic means. The FMF (Foreign Military Financing) and IMET (International Military Education and Training Program) programs help equip and train the Armed Forces of the Philippines (AFP) to counter the threat from an estimated 17,000 communist guerrillas active throughout the country. Within the last year, the AFP has made headway in the struggle against the communist insurgency. It is imperative that the Philippine government maintain its momentum against the insurgency as well as threats from the political right, as manifested most dramatically by the December 1989 coup attempt which resulted in the loss of over 100 Philippine lives.

Thailand. I would also like to focus on the situation in Thailand, a treaty ally which provided significant support for Operation Desert Storm, and an impressive economic success which experienced—what by all appearances is a temporary setback to democracy—earlier this year. This occurred on February 25, when Thai military forces took power in a bloodless *coup d'etat*, announced the abolition of the constitution, dissolved the appointed senate and the elected national assembly, and declared martial law. We issued a statement on the day of the coup expressing our deep regret at these developments and urged that immediate steps be taken to return Thailand to civilian, democratic rule. Consistent with U.S. policy and law, we suspended U.S. military and economic assistance to Thailand.

We are gratified that martial law ended on May 2, and on May 9 three acts restricting political activities were lifted. This followed promulgation of a provisional constitution on March 1 and the appointment of a largely civilian provisional government on March 6. Anan Panyarachun, the former Thai ambassador to the U.S., was named as interim prime minister. Former Prime Minister Chatichai and others detained as a result of the coup have been released. Formal press restrictions initiated after the coup have already been lifted, although most papers are practicing self-censorship; and political parties have remained in existence. An interim national assembly has begun to function, and has chosen a committee which is now drafting a new constitution. It appears the national peace-keeping council has recognized the necessity of an early return to democracy in Thailand: movement toward democratic elections for a civilian government are on track and the council has indicated that they may occur by the end of the year, but certainly no later than early next spring.

Region-wide Security issues. In more general terms, we and other East Asia-Pacific powers continue to see a need for security cooperation based principally on our formal bilateral security relations with Japan, the Republic of Korea, Australia, and Thailand, as well as with the Philippines. While Soviet intentions may have changed, Soviet military deployments, while reduced in quantity, have undergone qualitative improvements through modernization programs.

Quite apart from the Soviet military presence, there remains concern about that which cannot be foreseen. Indeed, were the Soviet presence to disappear, in the emerging security environment our role as regional balancer and honest broker would, if anything, be more important than ever in a region which continues to grow in importance to U.S. interests.

Thus, sustaining our bilateral security relationships is fundamental—not just for stability in the region, but also for enhancing our overall influence in East Asia and the Pacific. It is in this context that I would urge the Congress to view our security assistance programs, particularly IMET.

Fiscal stringency has led us to consider creative, effective, and low-cost ways of maintaining increasingly important security ties with our traditional friends. It is the unanimous opinion of our East Asian ambassadors and military commanders that IMET is the most cost-effective security assistance program we have. Training friendly and allied students in U.S. schools improves the effectiveness of our alliances, exposes them to our values and ideals, and enhances the prospects for collaborative efforts in countering threats to regional security. I doubt that our operations in the Gulf could have been as successful as they were if hundreds of Saudi, Egyptian, and other coalition troops had not been trained in U.S. military schools. IMET is an invaluable tool for building long-term defense relationships. Its potential dividends far outweigh the minimal investment. It is with such considerations in mind that we request a renewal of IMET for Malaysia.

Nunn-Warner Report. As we seek to adapt our defense relationships to new circumstances, we concluded in last year's Nunn-Warner report that new strategic realities in East Asia, including the enhanced capabilities of Japan and South Korea, would allow us to reduce our forces in the region by 10 to 12 percent over 3 years without loss of combat capability. These adjustments have already begun, and in excess of 15,000 personnel will be withdrawn by December 1992. We have reached agreement with our allies on both our future force structure and, as I have mentioned, their contributions to the common defense. We also have successfully concluded an access agreement with Singapore which will permit expanded U.S. use of their facilities. We believe that we have secured allied understanding of our continuing presence and are consulting closely on establishing proper force levels to ensure that we can meet our defense and treaty obligations in the region.

Collective Security Forums. Some observers have suggested that the states of East Asia establish a collective security forum similar to the Conference on Security and Cooperation in Europe (CSCE). East Asia is a region so vastly different from Europe in terms of its history, cultural diversity, levels of economic development, and geopolitical architecture that imposing the logic of European security is simply inappropriate. The Cold War did not weld the region into two opposing blocs; and there is no single threat commonly perceived across the region. Instead, there is a multiplicity of security concerns that vary from one country to another, from one sub-region to another. The one important exception is the Korean Peninsula where European-style confidence-building measures and CFE-type [Conventional Armed Forces in Europe] arms reduction initiatives seem to make sense. I would also add that there are good prospects for increasing cooperation among the major powers of East Asia in support of the North-South Korean dialogue, tension-reduction efforts, and ultimately, the guaranteeing of outcomes reached through negotiation between the two Korean governments.

The concept guiding our approach to Asian security is that solutions be fashioned which fit the character of the problem. Some of the collective security proposals we have seen strike us as solutions in search of problems. As in the case of Korea, when states have a direct interest in the solution of regional tensions, we welcome their participation. Our work on the Cambodia settlement with the Permanent Five members of the UN Security Council, the Paris conference [on Cambodia], and the ASEAN countries is a good example of our approach to the resolution of regional conflicts. We see the region's problems addressed more appropriately by adapting existing institutions to new circumstances, working through the UN, and/or forging *ad hoc* coalitions of states suited to the nature of the problem rather than by working through a large, unwieldy and ill-defined region-wide collective security forum.

Relations With Vietnam and Laos. We believe the time has come—as Secretary Baker told the Republic of Vietnam Foreign Minister Thach in New York last fall—to turn a new page in history and seek reconciliation and the development of a normal, productive relationship with Vietnam. This requires attaining a comprehensive solution to the Cambodian conflict and resolving the POW/MIA issue. Last month, I met with Vietnam's UN ambassador and presented a "road map" of how we could normalize relations quite rapidly in a four-phase, confidence-building process. We are prepared to move ahead on normalization, but Hanoi's active cooperation in achieving a Cambodia settlement and in resolving the fate of American POW/MIAs must be central to the deal if we are to proceed in a way that has the support of the American people and brings stability to all the countries of Indochina.

For whatever reasons, Hanoi and Phnom Penh have hesitated in moving forward to support the UN settlement process for Cambodia. We and other governments involved in the Paris Conference are trying to address their concerns within the context of the Permanent Five settlement framework which has the support of the UN Security Council and General Assembly as well as the Paris Conference co-chairmen.

Hanoi's cooperation is somewhat more evident on humanitarian issues. With Vietnam's active support, we are rapidly expanding the Orderly Departure Program, including, since 1990, the participation of former reeducation-center detainees. As well, Vietnam has improved cooperation on the POW/MIA issue since Secretary Baker and General Vessey met separately with Minister Thach last fall, although we need greater results from this process.

During a trip to Hanoi last month, General Vessey and Minister Thach agreed to open a temporary POW/MIA office in Hanoi, staffed by Defense personnel, to support the POW/MIA accounting process. This decision reflected a previous understanding that we would establish such a presence if we determined it would facilitate resolution of the issue. While not a part of the normalization "road map," this facility could accelerate that process if it helps advance resolution of

our POW/MIA concerns. We are also making available through USAID approximately \$1 million to address Vietnamese humanitarian needs in the area of prosthetics. Our relations with Laos have continued to improve as the Lao have bolstered cooperation on counter-narcotics activities and continued to work seriously with us on POW/MIA accounting. Most recently, we were able to conduct the first-ever investigation in Laos of so-called discrepancy cases, involving men last known to be alive in Laos, near the former Pathet Lao headquarters in the remote northeast. On narcotics, the Lao recently acceded to our long-standing requests to grant a multiple-entry visa to a Thailand-based DEA (Drug Enforcement Agency) agent and to arrange a meeting for that agent with a high-level interior ministry official. I would note that we have seen a 27 percent decrease in opium production, facilitated by our crop substitution project at Houphan. We continue to push for still further progress, particularly in the area of law enforcement.

We have been pleased with the Lao government's continuing economic reform effort and policy of welcoming back those Lao who left after 1975 but who now want to return to live or do business in Laos. Secretary Baker reminded the Lao Foreign Minister in October that economic reform, to be effective, requires concurrent efforts at political reform. We continue to urge the Lao to promote reform and development. And we hope that increased cooperation on narcotics and POW/MIA issues will make possible the upgrading of our bilateral relations.

Democracy in Mongolia. Perhaps the most dramatic reforms in Asia this past year have been in Mongolia. Leaving behind harsh authoritarian rule and economic dependence on the Soviet Union, Mongolia has, in the space of just 14 months, peacefully created a multi-party democracy and made major steps toward fundamental structural reforms, involving plans to privatize its economy. In addition to the expected socio-economic strains inherent in implementing reform, Mongolia had a poor harvest last year and saw a large Soviet aid program abruptly eliminated. For reforms to succeed under these difficult conditions, Mongolia must have help from the United States and other democratic nations. The U.S. has authorized this year a \$2 million USAID program of technical assistance to help Mongolia succeed in reform. We have also approved 30,000 tons of emergency food assistance to Mongolia through USAID Title II.

Relations With New Zealand. We hope that future New Zealand defense policies will permit that country to return to full participation in the ANZUS (Australia-New Zealand-U.S.) alliance. Since assuming office in November 1990, New Zealand's new Prime Minister, Jim Bolger, has expressed his desire to rebuild the defense and security relationship with the United States and to reaffirm New Zealand's standing among the Western nations through steps such as its contribution of a medical team and two support aircraft to the Gulf coalition.

However, the government of New Zealand has not yet tackled the fundamental issue between our two countries—New Zealand's anti-nuclear law, which effectively bars U.S. Navy vessels from visiting New Zealand on a "neither confirm nor deny" basis. We believe that recent successes in arms control negotiations and the multilateral action in the Gulf—to which New Zealand contributed—demonstrate that collective security and alliances work. President Bush, in a recent telephone conversation with Mr. Bolger, emphasized the warm feelings held by Americans for New Zealand, and our desire to build on our currently friendly relations. But it is for New Zealand to decide what its long-term interests and goals for defense and security relations with the U.S. will be and to undertake appropriate actions which would make possible a return to active partnership in ANZUS.

South Pacific. President Bush's unprecedented summit with the leaders of 11 Pacific island nations last fall underscored our growing engagement in the South Pacific. We share with them a firm commitment to preserving the environment and seek early action by the Senate on the South Pacific Regional Environmental Protection Convention. We share a common interest in the rational use of the region's maritime resources as demonstrated by U.S. accession to the

Wellington Convention on driftnet fishing. And we look forward to negotiating an extension to the mutually beneficial South Pacific fisheries treaty.

Democracy and Human Rights

As I suggested above, encouraging the growth and maturation of democratic government is one of the fundamental objectives of the Administration's foreign policy. While we have seen some setbacks in East Asia and the Pacific over the past 2 years, we are confident that democratization is a trend well at work in the region. We hope the Congress will allow us the flexibility to promote this important goal in a manner consistent with our many and complex long-term interests in the region.

China. As President Bush told the press just this week, our approach to China is to make clear our concern about human rights abuses but also to recognize that cutting off all contacts is not the way to effect change. This is, particularly true at a time when all other G-7 countries have largely restored their relations with China—most particularly their trade relations—to pre-Tiananmen levels. President Bush pointed out that during the Gulf conflict, cooperation with China, a permanent member of the UN Security Council, was essential to attaining world-wide support for coalition efforts. At the same time that we pursue our enduring and fundamental interest in universal human rights, we must recognize that China is important in regional and global affairs. As the President said, we have good reason to maintain constructive relations with China. Such relations are essential if we are to sustain and enhance U.S.-PRC cooperation in the search for solutions to regional tensions in East Asia and on other pressing issues. We cannot gain cooperation from China on matters such as missile and nuclear proliferation unless we remain engaged with the PRC.

The necessity of remaining engaged with the Chinese is precisely the reason Under Secretary of State for Political Affairs Robert M. Kimmitt visited Beijing just last week. He discussed key areas of friction in the bilateral relationship, from human rights and trade problems to proliferation concerns—as well as regional issues where cooperation is essential to the success of our policies for resolving the Cambodia conflict and enhancing security on the Korean Peninsula. Progress will not come instantly, but through patience and perseverance over time. For this reason we seek to engage the Chinese authorities with sharply focused working visits in both directions so we can ensure that we have done all that is necessary to convey U.S. concerns and promote U.S. ideals and interests.

We recognize that important indicators of human rights—freedom of speech and association, due process, among others—remain severely circumscribed in China today. We were encouraged by the initiation of the first-ever official dialogue on human rights with PRC officials when Assistant Secretary [for Human Rights and Humanitarian Affairs] Schifter went to China in December. Chinese authorities told us that they have come to understand that human rights is an essential component of our foreign policy and that the issue must form part of our bilateral agenda. The Chinese have told us that they recognize the importance of individual human rights, and intend to improve the protection of such rights. We hope this official dialogue—and similar dialogues which the PRC is developing with France and Australia—will bear fruit.

Nevertheless, as noted in our 1990 human rights report, while there were several positive developments in human rights in China over the last year, serious abuses and political repression continue. Most recently, we have been deeply disturbed by trials and sentencing of a number of persons detained during the 1989 crackdown. Chinese authorities have claimed that those sentenced were guilty of crimes of disturbing public order, but our general impression is that they were apparently guilty of nothing more than the peaceful expression of political views.

In Tibet, restrictions on political and religious activity remain in effect, but there have been some encouraging developments, most importantly a break in the cycle of violence that has plagued Tibet since 1987. Following the lifting of martial law on May 1 last year, the security force presence in Lhasa was scaled back. Some foreign officials have been allowed to visit, including officials from our consulate general in Chengdu. It is our desire that these steps lead to a restoration of the positive momentum that characterized the situation in Tibet in the mid-1980s. I should add that we view the Dalai Lama as an important religious and humanitarian leader. President Bush's private meeting with him underscores this view as well as our fundamental commitment to human rights.

Burma. We remain concerned and extremely disappointed by the total lack of progress toward the implementation of parliamentary democracy in Burma. I am sorry to say that Burma may miss a historic opportunity to promote national development under a popular democratic government. Despite promises to do so promptly, the ruling State Law and Order Restoration Council (SLORC) has refused to abide by the will of the Burmese people as expressed in the results of the May 1990 election. No timetable for a return to the promised civilian rule has been announced. The election's victors, the opposition party, has been largely destroyed by arrests and intimidation, and opposition within the Buddhist clergy was ruthlessly suppressed. Clearly, the SLORC is attempting to negate the results of the election, thus leaving little prospect for an early return to genuine democracy in Burma.

Since the election, we have been active in multilateral efforts to influence the Burmese. In July 1990, Secretary Baker urged Burma's ASEAN neighbors to use their influence with Burmese military authorities to encourage a transition to civilian government and the release of political prisoners. Our embassies in the region have since reinforced this message. In addition, Secretary Baker sent a letter in August to General Saw Maung, the chairman of the SLORC, urging him to transfer power to a civilian government and to release all political prisoners, including NLD (National League for Democracy) leader Aung San Suu Kyi. We have also urged these measures in the UN General Assembly and the UN Human Rights Commission.

The U.S. has also taken several economic measures against Burma in an effort to encourage an improvement in the situation in that country: We long ago terminated all forms of economic assistance to Burma and actively urged others to do so; we have suspended Burma's GSP (Generalized System of Preferences) privileges; and we have decertified Burma on narcotics. This later step means that we will oppose loans to Burma by the World Bank, the IMF, and other international organizations. Unfortunately, thus far these steps have not produced the kind of results we are hoping for. While recognizing that our influence over this reclusive and autarchic leadership is quite limited, we are continuing to consider what further steps we might take which would be effective in convincing the SLORC authorities to be more responsive to the will of the Burmese people.

Economic Relations and Cooperation

We are entering an age in which technological and commercial capabilities rather than military strength alone are significant determinants of state power and influence. In considering our economic role in the region in the 1990s, we must avoid over-reacting to some of the side effects of the region's rapid economic growth. We must resist the temptation to withdraw behind protectionist barriers, or otherwise give the impression that we are turning inward rather than taking measures to strengthen our competitive position. In fact, the diffuse and complex environment emerging in East Asia and the Pacific requires even closer economic cooperation with our trading partners.

The U.S. no longer dominates the region economically, but the trade statistics reveal that American interests are well served by the dynamic commerce that ever more closely links us to East Asia and the Pacific. Trade in both directions continues to expand as the countries of the region open their markets to imports. Merchandise trade figures indicate a marked improvement in U.S. exports to most of our East Asian trading partners in 1990. Our 1990 world-wide deficit was \$101 billion, down 8 percent from the 1989 deficit of \$109.4 billion, with an 8 percent increase in U.S. exports to the East Asian region. U.S. imports from such major trading partners as Japan, Taiwan, Korea, and Hong Kong fell while our exports grew, narrowing our deficits with each of these economies. The bilateral deficit with Japan alone improved by \$8 billion to \$41 billion, a 16 percent decline.

In broader terms, we must not forget that the East Asia-Pacific region promises to be our best market in the 1990s. East Asia conducts a larger volume of trade with the U.S. than with any other region, and our exports to East Asia have grown at a rate higher than our exports to any other part of the world. The simple fact is that from 1968 to 1988, our exports to the region grew by over 1,400 percent while our exports to the EC (European Community) during the same period grew by 743 percent. Japan purchases from us much more than raw materials: over half of our exports to Japan in 1988 and 1989 were manufactured goods (about \$22 billion), more than Germany and France together purchased from us in those years.

I do not wish to downplay the significance for our economy of the trade deficit or other bilateral economic issues with Japan and other regional trading partners. These are serious matters and we are pursuing them vigorously. We have made significant progress in the structural impediments initiative. For example, Japan now plans to increase its own public investment spending and has removed obstacles to opening new large retail stores, thus expanding opportunities for U.S. exporters.

As we enumerate our economic grievances with the Japanese, we need to keep a sense of perspective and recall that Japan is our best market outside this continent. Trade will inevitably lead to frictions and frictions to blisters. As we treat the blisters, we need to reject the quick cure of amputation.

The Asia Pacific Economic Cooperation (APEC) initiative is the crystallization of these Asia/Pacific economic trends I have mentioned. East Asia's future will be shaped by economic integration. We are opposed to trading blocs, and we are doing what we can to accelerate progress on the basis of open market principles. We were pleased that recent progress in Geneva has given new life to the Uruguay Round (of the General Agreement on Tariffs and Trade). A successful outcome of the round remains a key U.S. objective.

We also are pleased with APEC to date, which has had ministerial meetings in Canberra in 1989 and Singapore in 1990. Agreement to hold future ministerials in Seoul in October 1991, Bangkok in 1992, and in the U.S. in 1993 lend political continuity to APEC.

Between ministerials, the substantive work program of APEC is overseen by senior officials meetings. APEC's work program includes 10 working groups covering trade and investment data, trade promotion, investment and technology transfer, human resources development, energy cooperation, marine resource conservation, telecommunications, transportation, tourism, and fisheries. Several of these working groups will produce substantial results in time for review by the November Seoul ministerial.

Several organizational issues are facing APEC. Arrangements for the participation of China, Taiwan, and Hong Kong are yet to be worked out. Malaysia Prime Minister Mahathir's recent call for an East Asian economic group raises questions about how such a grouping would affect

APEC. We remain concerned that a second, less inclusive body for the same purpose as APEC could undermine the momentum now behind the 1989 initiative.

The United States plays an active role in APEC. Secretary Baker was an early supporter of this initiative, and U.S. officials lead two of APEC's working groups—transportation and tourism—and co-lead two other groups, telecommunications and trade and investment data. The partnership for education initiative, launched by Secretary Baker at the Singapore ministerial, is viewed as a model of cooperation by other APEC participants in the human resources development working group. The initiative is laying the groundwork for cooperation between U.S. and APEC educational institutions, and among U.S. businesses in cooperative education and internships. Activities under the initiative will be underway by the time of the October ministerial.

Conclusion

The Administration's total economic and security assistance requests for the East Asia-Pacific region come to \$702.5 million, with \$492 million for economic assistance (DA, ESF, PL 480, and the Philippines MAI) and \$210.1 million in security assistance (IMET and FMF credits). Over 90 percent of our FMF and ESF monies will go to the Philippines, assuming that our current discussions are successful. This represents only 5.8 percent of total U.S. foreign assistance. The overall level represents a 2 percent increase over FY 1991. Economic assistance to the region increases by 2.6 percent with a 1 percent rise for security assistance.

With these financial resources, and with our other political, military, and economic efforts in the region, we are making an investment in the future of the Pacific community. To date, the region's dramatic economic success, its peace and prosperity, and its continuing support for our foreign policy goals throughout the world are the dividends paid on our past investments. Future dividends will require future investments, and I hope you agree that the returns we are receiving outweigh the relatively small price we have paid.